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David L. Armstrong
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Vice Chairman

Charles R. Borders
Commissioner

August 14, 2014

PARTIES OF RECORD

Re: Case No. 2014-00002
Louisville Gas & Electric Company and Kentucky Utilities Company
Need to Obtain Certificates of Public Convenience and Necessity

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Quang Nguyen, Staff Attorney, at 502/782-2586.

Sincerely

A handwritten signature in blue ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

QN/chh

Attachments

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Quang D. Nguyen, Staff Attorney

DATE: August 14, 2014

RE: Case No. 2014-00002
JOINT APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY
AND KENTUCKY UTILITIES COMPANY FOR CERTIFICATES OF
PUBLIC CONVENIENCE AND NECESSITY FOR THE CONSTRUCTION
OF A COMBINED CYCLE COMBUSTION TURBINE AT THE GREEN
RIVER GENERATING STATION AND A SOLAR PHOTOVOLTAIC
FACILITY AT THE E.W. BROWN GENERATING STATION

Pursuant to the Commission's July 18, 2014 Order, an informal conference was held at the Commission's offices on August 12, 2014. A list of the attendees is attached hereto.

The purpose of the informal conference was to provide Louisville Gas and Electric Company and Kentucky Utilities Company (collectively "LG&E/KU") an opportunity to advise the parties and Commission Staff regarding the status of LG&E/KU's negotiations with the nine municipal wholesale customers who had provided LG&E/KU notices to terminate their respective wholesale contracts. LG&E/KU informed that despite their best efforts LG&E/KU, on July 7, 2014, sent a written letter to those nine municipal wholesale customers formally accepting their notices of termination. LG&E/KU advised that they are currently engaged in the settlement process with the nine municipal customers at the Federal Energy Regulatory Commission to determine the rates those customers will pay until the termination of their wholesale power contracts in April 2019. Because the nine municipal customers account for approximately 325 MW of load, LG&E/KU state that the loss of that load results in the proposed natural gas combined cycle ("NGCC") unit at the Green River Generating Station not being needed based on the companies' forecasted reserve margin. LG&E/KU will, therefore, submit a formal notice that they will be withdrawing their request to construct the NGCC. LG&E/KU further state that the proposed solar photovoltaic facility at the E.W. Brown Generating Station is not impacted by the loss of the load associated with the departing municipal customers. Lastly, LG&E/KU circulated a proposed procedural schedule, which provided deadlines for LG&E/KU's filing of their supplemental testimony; discovery on the supplemental testimony; an opportunity for intervenors to file testimony; discovery on intervenor testimony; and an

opportunity for LG&E/KU to file rebuttal testimony. LG&E/KU's proposed procedural schedule as well as the companies' power point presentation is attached to this memo.

After several clarifying questions from the intervenors and Commission Staff and there being no further discussions, the informal conference was adjourned.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS)
& ELECTRIC COMPANY AND KENTUCKY)
UTILITIES COMPANY FOR CERTIFICATES) CASE NO. 2014-00002
OF PUBLIC CONVENIENCE AND)
NECESSITY FOR THE CONSTRUCTION)
OF A COMBINED CYCBLR COMBUSTION)
TURBINE AT THE GREEN RIVER)
GENERATING STATION AND A SOLAR)
PHOTOVOLTAIC FACILIYT AT THE E.W.)
BROWN GENERATING STATION)

=====
August 12, 2014 Informal Conference
=====

Please sign in:

NAME

REPRESENTING

Quang P. Nguyen

PSC

Matthew Pinner

PSC

Chris Whelan

PSC

RICHARD RAFF

PSC-LEGAL

Bob Russell

PSC

JOHN SHUPP

PSC-ENG,

JEFF JOHNSON

PSC

Mike Kurtz

KWC

Larry Cook

OAG

Gregory Dutton

OAG

John Voyles

LGE & KU

Allyson Sturgeon

LGE & KU

Please sign in:

NAME

Rick Lovekamp
Lindsay Ingram
David Sinclair
Sheri Gardner
Tim Livers
Bethany Baxter
Robert Chatham
Angela Good

REPRESENTING

LG&E & KU
LG&E & KU (SKO)
LG&E & KU
LG&E + KU
PSC - FA
Sierra club.
Chatham Energy Consulting
AG - via teleconference



PPL companies

Update on CPCN for Green River NGCC unit and Brown Solar Facility

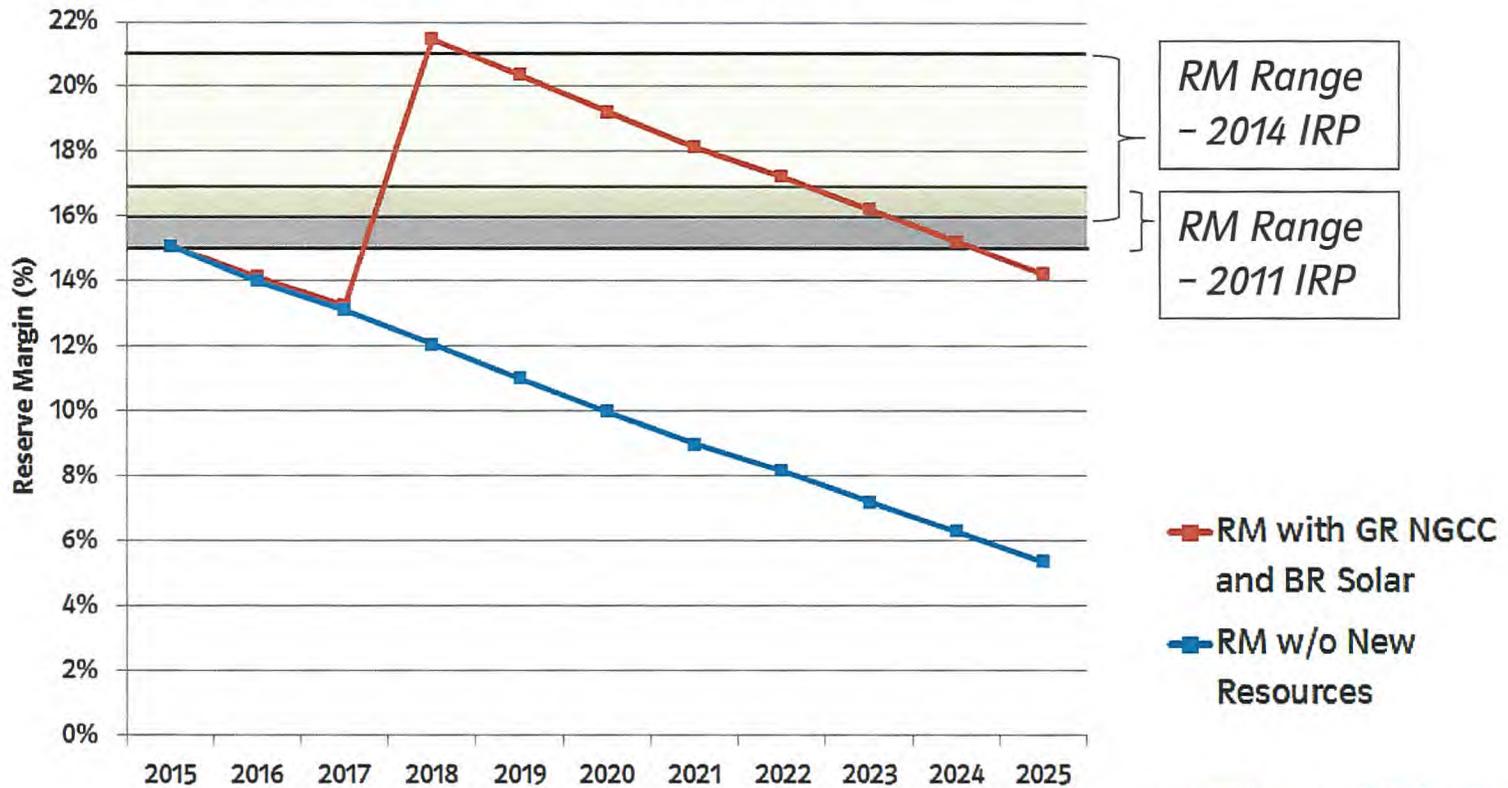
*Case No. 2014-00002
Informal Conference
August 12, 2014*

Agenda for Informal Conference

- *Introductory remarks*
- *Summary of developments since the Companies requested an abeyance of the case in April 2014*
- *Effect of those developments on the Companies' load forecasting, Green River 5 and Brown Solar Facility*
- *The Companies' proposed procedural schedule for the remainder of the case*
- *Discussion and Questions*

Companies requested CPCN to build 700 MW NGCC in 2018 and 10 MW solar facility in 2016

Based on 2013 LF, reserve margin was forecasted to be below the target range absent new resources.

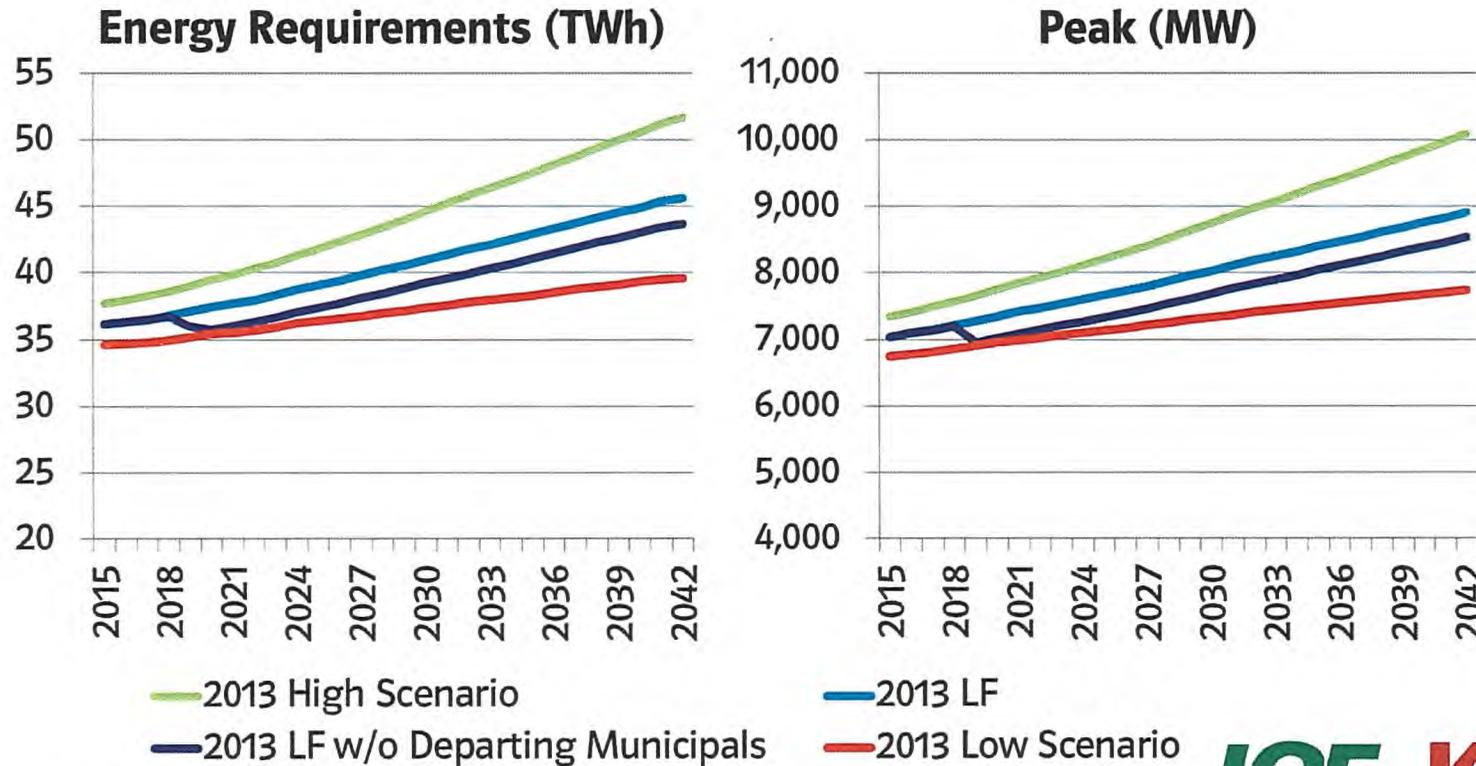


August 12, 2014

3

In April 2014, nine of KU's municipal customers gave notice of termination, effective April 2019

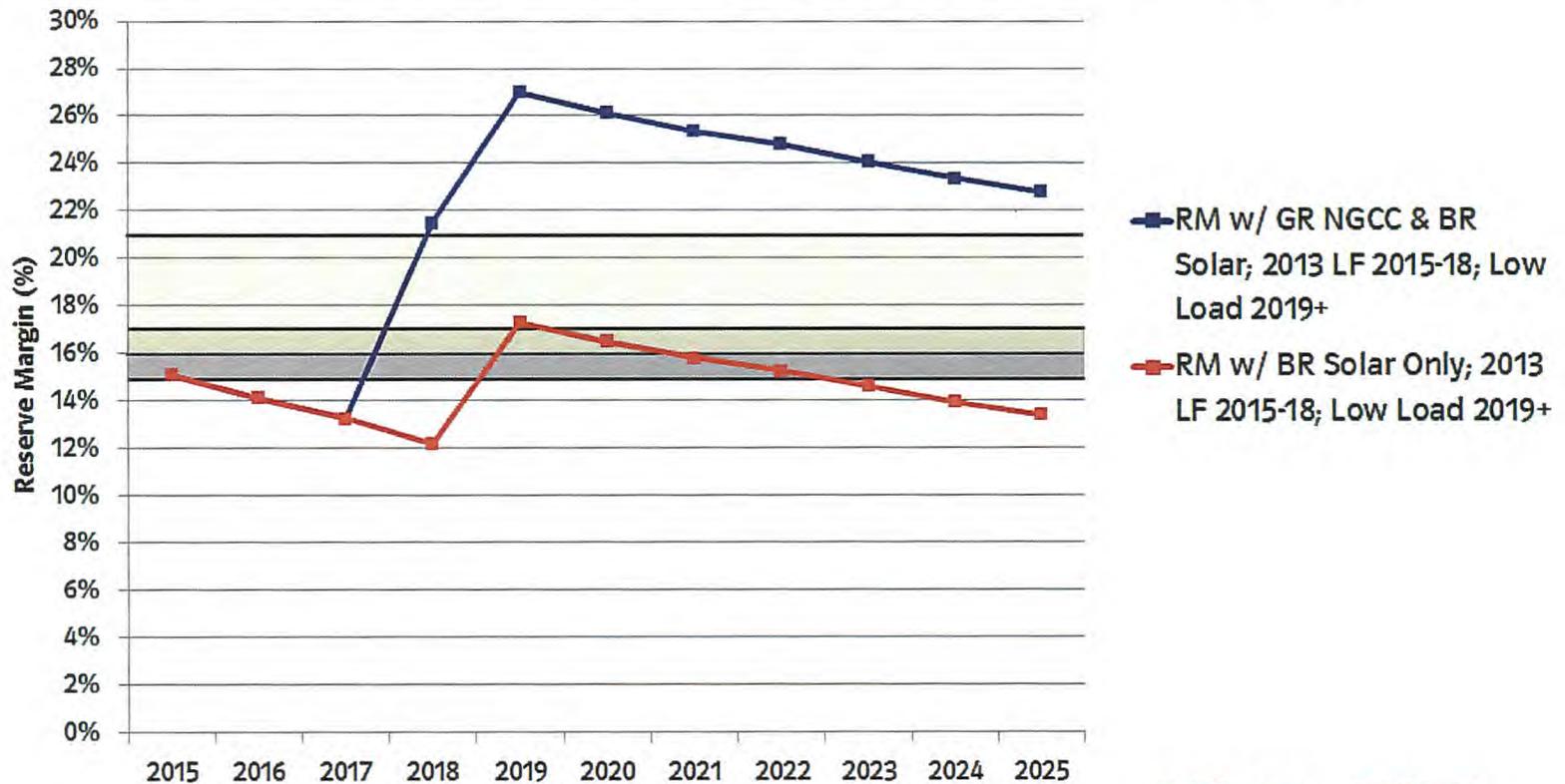
Without the Departing Municipals, the 2013 LF load is very similar to the Low load forecast from 2019 to mid-2020s.



August 12, 2014

Proceeding with NGCC unit results in above-target reserve margin for an extended period

Based solely on reserve margin forecast, the Companies do not recommend proceeding with the 2018 NGCC unit at this time.



It is premature to proceed with 2018 NGCC solely for CO₂ compliance

- *CO₂ regulations for existing units are uncertain:*
 - *Federal regulations to be finalized by June 2015*
 - *State implementation plans due by June 2016*
 - *Interim compliance required beginning in 2020*
- *The Companies will monitor the proposed regulations' development and will develop a compliance plan once more certainty exists.*
- *It is likely that the CO₂ regulations will be an important consideration in the development of the 2017 IRP.*

Decision to proceed with 10 MW solar facility not impacted by municipals' termination

- *Brown Solar Facility's impact on system PVRR is not impacted by load level. Economics are driven by:*
 - *Marginal fuel cost savings of generation it displaces*
 - *Ability to capture Investment Tax Credit by 12/31/16*
 - *Value of Renewable Energy Certificates*
- *Other benefits of Brown Solar remain:*
 - *Fuel diversity*
 - *Reduction to potential future CO₂ compliance costs*
 - *Development, operating, and system integration experience*
- *Loss of municipal load will shift ownership share from KU to LG&E.*

Conclusion

- *Withdraw application for 700 MW NGCC unit at KU's Green River Generating Station by 2018.*
- *Proceed with 10 MW solar photovoltaic generating facility at KU's E.W. Brown Generating Station by 2016.*

Case No. 2014-00002

August 12, 2014 Informal Conference

Proposed Procedural Schedule

The Companies shall file supplemental testimony, in verified prepared form, no later than	08/22/14
All supplemental requests for information to the Companies, which shall be limited to the remaining issues in the case, shall be filed no later than	09/05/14
The Companies shall file responses to the supplemental requests for information no later than	09/19/14
Intervenor testimony, if any, in verified prepared form, shall be filed no later than	10/03/14
All requests for information to Intervenors shall be filed no later than	10/17/14
Intervenors shall file responses to requests for information no later than	10/31/14
The Companies shall file rebuttal testimony, if any, in verified prepared form, no later than	11/14/14
Any party desiring a hearing shall file a written request for such hearing no later than	11/19/14
Last day for the Companies to publish notice of hearing	TBD
Public hearing, if any, to be held in Hearing Room 1 of the Commission's Offices at 211 Sower Boulevard, Frankfort, Kentucky, for the purpose Of cross-examination of witnesses of the Companies and Intervenors.....	TBD
Simultaneous Briefs, if any	TBD